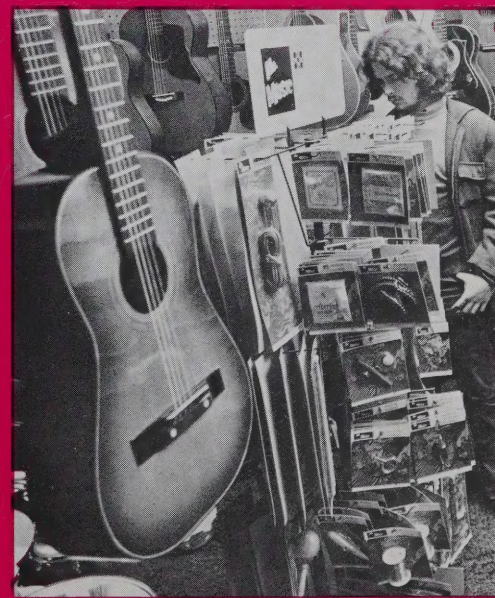




AHED MUSIC CORPORATION LIMITED  
ANNUAL REPORT  
1971





## AHED MUSIC CORPORATION LIMITED

HEAD OFFICE 20 Cranfield Road  
Toronto 374, Ontario  
Telephone (416) 751-1613

### BOARD OF DIRECTORS

JACK C. ANDERSON, Toronto, Canada  
PHILIP G. ANDERSON\*, Toronto, Canada  
WALTER M. BOWEN, Toronto, Canada  
Partner, Blaney, Pasternak, Smela, Eagleson & Watson  
The Hon. KEITH DAVEY, Toronto, Canada  
The Senate of Canada  
HARRY A. DERDERIAN\*, Guelph, Canada  
WILLIAM R. GILLILAND, Toronto, Canada  
KARL E. HAGSTROM, Alvdalen, Sweden  
Managing Director, AB Albin Hagstrom  
LEON E. WEINSTEIN\*, Toronto, Canada  
Chairman, Executive Committee

*\*Executive Committee*

### OFFICERS

PHILIP G. ANDERSON, President and Treasurer  
WILLIAM R. GILLILAND, Vice-President, Music and Talent Management  
JACK C. ANDERSON, Vice-President, Record Manufacturing  
GORDON W. REID, Vice-President, Musical Instruments  
KENNETH R. McKEOWN, C.A., R.I.A., Comptroller and Secretary  
WILLIAM D. CARRIGAN, General Manager, GBX Electronics Division

### BANK

Royal Bank of Canada, Toronto, Canada

### TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Co., Toronto, Canada

### CORPORATE COUNSEL

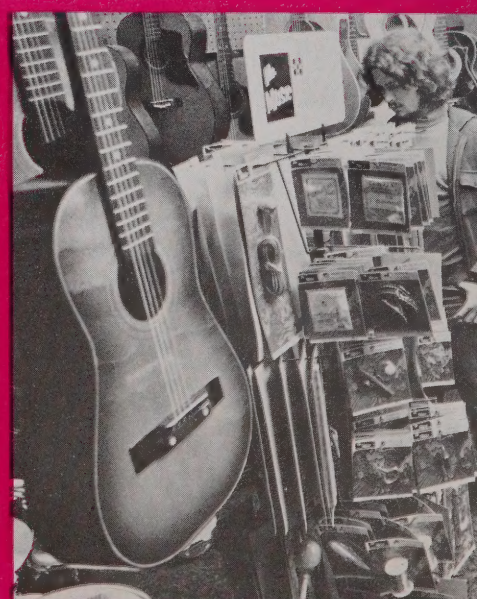
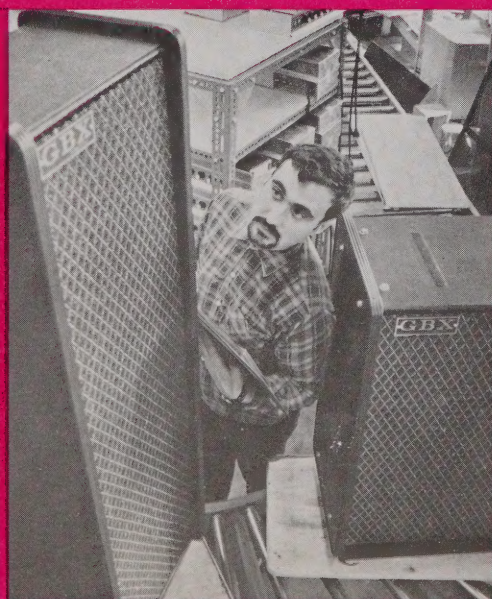
Blaney, Pasternak, Smela, Eagleson & Watson, Toronto, Canada

### AUDITORS

Dunwoody & Co., Toronto, Canada

### LISTED

Canadian Stock Exchange





## HIGHLIGHTS OF OPERATIONS

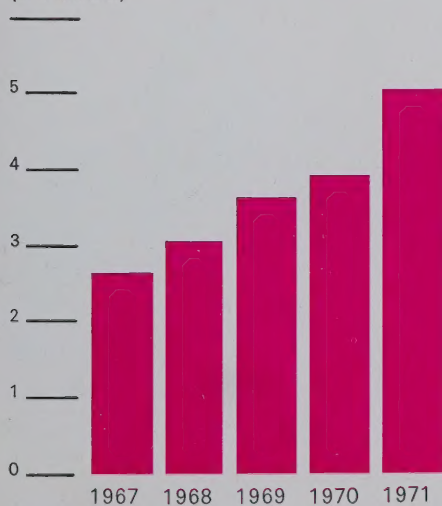
Years ended	1971	November 30 1970	1969	April 30 1968	1967
Gross revenue	\$5,010,546	\$3,917,297	\$3,658,168	\$3,066,812	\$2,627,841
Profit before income taxes	345,927	194,883	153,910	138,922	104,184
Income taxes	103,570	93,422	63,815	62,798	46,154
Net profit	242,357	101,461	90,095	76,124	58,030
Total assets	3,242,645	2,500,083	2,069,348	1,316,760	1,272,059
Shareholders' equity	1,508,114	1,235,357	1,133,896	477,533	367,261
Net return on shareholders' equity*	17.7%	8.6%	11.2%	18%	17.7%
Shares outstanding	807,600	800,000	800,000	—	—
Net profit per share*	30.0¢	12.7¢	11.2¢	9.5¢	7.2¢

\*Assuming 800,000 shares outstanding in 1967-8

Note: Figures for the seven month fiscal period ended November 30, 1968 are not included. Net profit for this period was \$63,233.

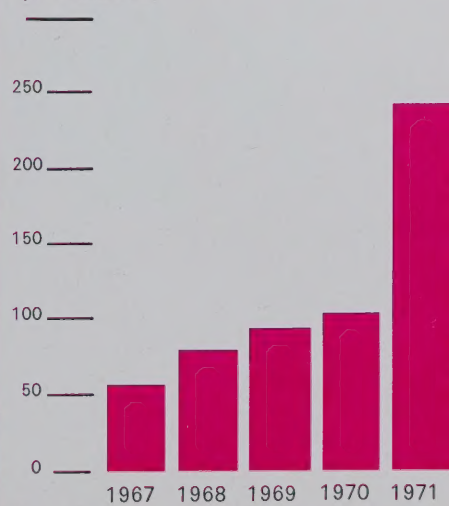
### GROSS REVENUE

(in \$ Millions)



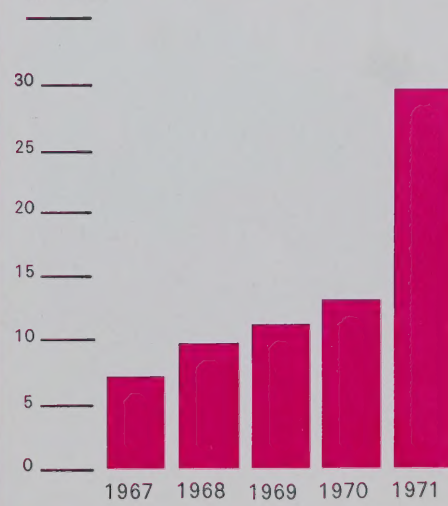
### NET INCOME

(in \$ Thousands)



### NET EARNINGS PER SHARE

(in Cents)





## PRESIDENT'S REPORT TO THE SHAREHOLDERS

The year ended November 30th, 1971 was significant for Ahed Music Corporation Limited, not only because we achieved outstanding success in sales and profits, but also because the foundations were firmly laid for our future growth and profitability.

### FINANCIAL

Net income, after provision for income taxes, amounted to \$242,357 compared to \$101,461 in 1970. This is an increase of approximately 140 per cent.

Net income per share was 30 cents in 1971 based on 807,600 shares outstanding, compared to 12.7 cents in the previous year based on 800,000 shares outstanding. Income is derived from four main sources: record and tape sales; musical instrument and electronic amplifier sales; record royalties and music publishing; and talent management fees.

Total revenue amounted to \$5,010,546 up 28 per cent from last year's \$3,917,297. Sales of musical instruments and GBX amplifiers increased substantially over the previous year. Although the newly-introduced series of popularly-priced amplifiers was available only in the last four months of the fiscal year, sales exceeded expectations.

### RECORDING, MUSIC PUBLISHING AND TALENT MANAGEMENT

AHED moved solidly into the international music scene in the past year.

Recording artists under production contracts with either AHED or AIR London, and under talent management contract with AHED International Limited or Global Talent Management Limited (64% owned), can now be given exposure internationally, a tremendous benefit in the promotion of new talent in this era of global communications. AHED will participate in royalties resulting from AIR London releases in Canada and the United States, Talent Management artists' fees on a world-wide basis, and AHED releases in the U.K. and elsewhere. The potential of our agreement with AIR London to participate in talent development and management on a world-wide basis, has not yet been realized.

At the present time, the following performers under contract are gaining prominence:

—*Ocean*, and their first release, "Put Your Hand in the Hand" have been rated by U.S. industry publications as the top new group out of Canada. A new recording, "One More Chance", written for Ocean by Roger Cook is their latest release.

—*Parrish & Gurvitz*, discovered by AHED, and under production contract to AIR London, have had their first album released in England and North America.

—*Roger Cook*, writer of the Coke version of "Teach the World to Sing", will have his first North American album released this Spring.

—*Tony Kingston's*, "I am a Preacher" is climbing on Canadian pop music charts.

—*Terry & Laurel*, whose recording, "Goin' Down (on the Road to L.A.)", first established in Canada, is becoming a hit in the United States.

All of the above artists and/or groups—plus others now in the developmental stages—have a far greater potential for success because of our international network.

The outlook for this Division has improved considerably, particularly in international markets, based on the calibre of artist we are now handling and the expanded population we are serving.

### RECORD MANUFACTURING

The addition of new, high tonnage, record presses has enabled us to manufacture lighter-weight, high fidelity recordings with considerably increased productivity and control of quality.





## MUSICAL INSTRUMENTS AND ARC AMPLIFIERS

The gratifying results achieved by the Musical Instrument Division followed a year of reorganization of administrative, sales and distribution procedures in order to produce a higher profit ratio. These changes have proven to be successful and have enabled the Division to increase sales volumes and market penetration. Distribution on a national scale has been broadened to include major department stores and retail chains. Special product designs and brand names were also developed for catalogue sales of leading departmental stores. The opening of these new markets to our many lines of imported musical instruments and accessories is expected to add substantially to this Division's growth in sales and profits.

Our attractively priced, well-made line of guitar amplifiers, bass amplifiers and P.A. systems has filled one of the main voids in the music market in Canada. Since the introduction of this series last summer, sales have been well ahead of our capacity to produce, and we are therefore taking steps to expand plant facilities to meet the demand for these new products and to introduce additional models. In response to market testing and dealer reaction in the United States we have established a branch of this Division in New York State to handle amplifier sales in that country.

## GBX ELECTRONICS DIVISION

The GBX electronic amplifier was developed by AHED and introduced in Canada less than three years ago to provide superior quality sound amplification to professional musicians and performers. Since that time, sales of a variety of models for a wide range of applications have more than met our expectations. Technological advances in the electronic industry have resulted in continual refinement of the GBX product line.

In the past year we have developed several new products—all related to professional sound amplification—including two portable public address systems, which we plan to introduce on the market within the next few months.

Initial sales results in the United States have prompted us to plan an extensive marketing program directed to the very large number of professional entertainers and musical groups in that country.

Our recently developed, patented, electronic foot-pedal bass has met with a degree of initial sales acceptance which has exceeded our original expectations.

Our intention is to increase the profitability of the GBX Electronics Division both through new product development and expanded geographical distribution.

## OUTLOOK

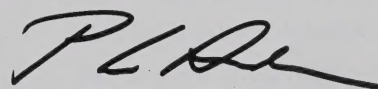
The Canadian music industry is on the threshold of its greatest period in history. The emergence of professional writers, artists and technicians, all assisted by Canadian content regulations for radio and television, insures the steady growth and development of the industry in Canada. AHED's management team has acquired the essential expertise and flexibility, through many years in the music field, to take maximum advantage of the many opportunities available in this country and internationally.

Each Division of the Company represents a diversified activity within the music industry, from which contributions to earnings are expected to appreciate substantially in the future.

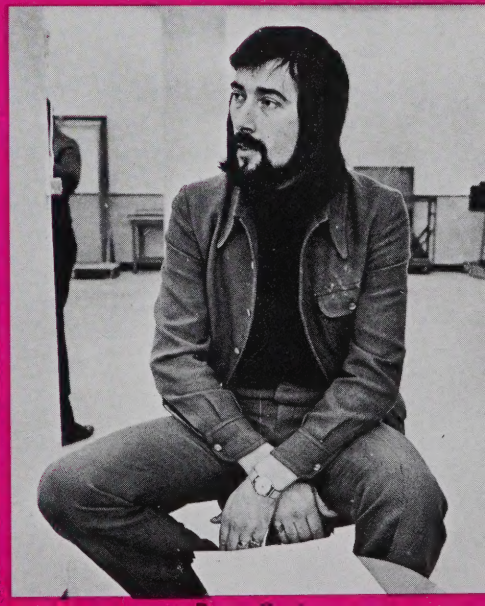
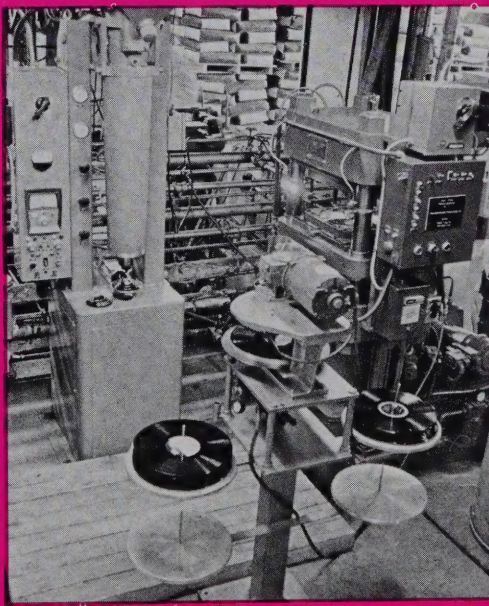
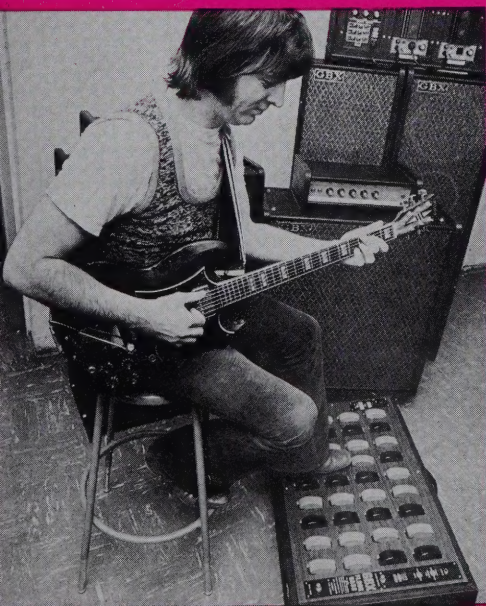
We are confident that 1972 and beyond will offer unprecedented opportunities for growth and profitability for Ahed Music Corporation Limited.

Our appreciation is expressed to the many employees and associates whose efforts are contributing to the Company's growing role as a major force on the international music scene.

On behalf of the Board of Directors,



Philip G. Anderson,  
President.  
March 1, 1972.





**AHED MUSIC CORPORATION LIMITED**  
and subsidiary companies

**CONSOLIDATED BALANCE SHEET**  
*as at 30 November 1971*

ASSETS	<u>1971</u>	<u>1970</u>
CURRENT		
Cash	\$ 51,548	\$ 98,179
Accounts receivable	1,372,163	1,143,692
Inventories, at lower of cost and net realizable value	1,544,873	1,032,901
Prepaid expenses and deposits	<u>38,218</u>	<u>16,191</u>
	<u>3,006,802</u>	<u>2,290,963</u>
FIXED, at cost		
Machinery and equipment	347,174	281,666
Office equipment	47,431	41,653
Automotive equipment	23,782	23,782
Leasehold improvements	<u>14,144</u>	<u>16,545</u>
	432,531	363,646
Less accumulated depreciation	<u>270,868</u>	<u>247,527</u>
	<u>161,663</u>	<u>116,119</u>
OTHER, at cost		
Deferred development costs	9,000	25,437
Goodwill and trade marks	29,468	29,468
Cost of public financing less portion amortized	16,683	19,067
Incorporation expenses	1,725	1,725
Excess of cost of shares in subsidiary companies over equity value at dates of acquisition	<u>17,304</u>	<u>17,304</u>
	<u>74,180</u>	<u>93,001</u>
	<u>\$3,242,645</u>	<u>\$2,500,083</u>

Approved on behalf of the Board:

P. G. Anderson, Director

W. R. Gilliland, Director



## LIABILITIES

	<u>1971</u>	<u>1970</u>
CURRENT		
Bank indebtedness, note 2	\$ 854,672	\$ 312,500
Accounts payable and accrued liabilities	676,109	727,114
Taxes withheld	42,627	53,462
Long term debt due within one year	17,968	19,994
Income taxes	<u>103,742</u>	<u>94,870</u>
	1,695,118	1,207,940
LONG TERM DEBT, note 3	39,413	52,309
DEFERRED INCOME TAXES	<u>—</u>	<u>4,477</u>
	<u>1,734,531</u>	<u>1,264,726</u>

## SHAREHOLDERS' EQUITY

### CAPITAL

Authorized		
1,400,000 Shares without par value		
Issued and fully paid, note 4		
807,600 Shares (1970—800,000 shares)	1,074,201	1,043,801
RETAINED EARNINGS	<u>433,913</u>	<u>191,556</u>
	<u>1,508,114</u>	<u>1,235,357</u>
	<u>\$3,242,645</u>	<u>\$2,500,083</u>

Note 5 — Statutory information

Note 6 — Rates of exchange

See accompanying notes to the financial statements



# AHED MUSIC CORPORATION LIMITED

and subsidiary companies

## CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended 30 November 1971

	1971	1970
GROSS REVENUE	<u>\$5,010,546</u>	<u>\$3,917,297</u>
REVENUE BEFORE THE UNDERNOTED EXPENSES	<u>\$1,883,674</u>	<u>\$1,500,680</u>
EXPENSES		
Selling, general and administrative	1,474,380	1,270,481
Depreciation and amortization	63,367	35,316
	<u>1,537,747</u>	<u>1,305,797</u>
PROFIT BEFORE TAXES	345,927	194,883
Income taxes	<u>103,570</u>	<u>93,422</u>
NET PROFIT FOR THE YEAR	242,357	101,461
Retained earnings, beginning of year	<u>191,556</u>	<u>90,095</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 433,913</u>	<u>\$ 191,556</u>
EARNINGS PER SHARE	<u>30.0¢</u>	<u>12.7¢</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 30 November 1971

### 1. COMPANIES INCLUDED

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries: Arc Sound Limited, Precision Record Productions Limited, Bay Music Co. Limited, Canint Music Corporation Limited, AHED National Franchises Limited, Jim Blackley's Drum Village Limited, Arc Records Limited and AHED International Limited.

2. Book debts, manufacturing inventories and the machinery and equipment of the AHED Companies are pledged as security for bank indebtedness together with floating charge debentures to the aggregate amount of \$850,000.

### 4. CAPITAL

A total of 7,600 shares were issued for cash to employees at \$4 per share during the year under an Employee Stock Option Plan. There are 32,400 common shares unissued under the plan which expires 30 July 1974.

### 5. STATUTORY INFORMATION

Amortization of intangible assets for the year amounted to \$27,820. Interest on long term debt for the year amounted to \$3,572. The aggregate direct remuneration paid by the companies to the directors and senior officers (as defined by The Business Corporations Act of Ontario) for the year amounted to \$214,138.

### 6. RATES OF EXCHANGE

Amounts in foreign currencies were converted into Canadian currency at the rates of exchange in effect at the end of the financial year.

### 3. LONG TERM DEBT

	1971	1970
Bank — special term loan, secured, note 2 repayable \$1,400 monthly plus interest	\$41,600	\$ —
Chattel mortgage	—	10,601
Directors' and shareholders' loans	12,556	55,252
Other	3,225	6,450
	<u>57,381</u>	<u>72,303</u>
Less current portion	<u>17,968</u>	<u>19,994</u>
	<u>\$39,413</u>	<u>\$52,309</u>



# AHED MUSIC CORPORATION LIMITED

and subsidiary companies

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 30 November 1971

	1971	1970
SOURCE OF FUNDS		
Net profit for the year	\$ 242,357	\$ 101,461
Expenses not requiring an outlay of funds		
Depreciation and amortization	63,367	35,316
FUNDS PROVIDED FROM OPERATIONS	305,724	136,777
Shares issued for cash	30,400	—
Bank — special term loan (net)	24,800	—
	360,924	136,777
APPLICATION OF FUNDS		
Purchase of fixed assets (net)	81,090	16,631
Payment of long term debt (net)	37,696	3,931
Reduction of deferred income taxes	4,477	1,211
Deferred development costs	9,000	25,437
Goodwill arising on acquisition of subsidiary companies	—	21,482
Other	—	565
	132,263	69,257
INCREASE IN WORKING CAPITAL	228,661	67,520
Working capital, beginning of year	1,083,023	1,015,503
WORKING CAPITAL, END OF YEAR	\$1,311,684	\$1,083,023

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF AHED MUSIC CORPORATION LIMITED

We have examined the consolidated balance sheet of AHED Music Corporation Limited and subsidiary companies as at 30 November 1971 and the consolidated statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests

of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at 30 November 1971 and the results of their operations and the source and application of their

funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DUNWOODY & COMPANY  
CHARTERED ACCOUNTANTS  
Toronto, Ontario  
18 January 1972.



# AHED MUSIC CORPORATION LIMITED

## SUBSIDIARIES

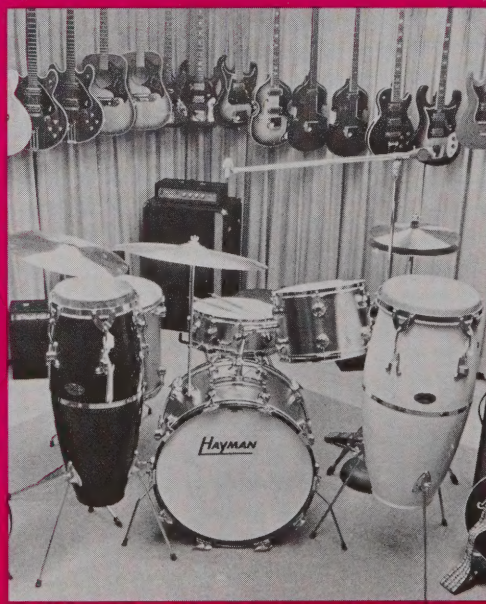
Arc Sound Limited  
Arc Records Limited  
Precision Record Productions Limited  
Bay Music Co. Limited (BMI Affiliate)  
Canint Music Corporation Limited (CAPAC Affiliate)  
AHED International Limited  
Jim Blackley's Drum Village Limited  
AHED National Franchises Limited

## DIVISIONS

Arc Musical Instruments  
111 Bermondsey Road, Toronto  
*Branches*  
19 Keith Road, Winnipeg, Manitoba  
322 Drake Street, Vancouver, B.C.  
Arc Record Distribution  
20 Cranfield Road, Toronto  
Arc Music and Talent Management  
20 Cranfield Road, Toronto  
GBX Electronics  
109 Bermondsey Road, Toronto  
Precision Record Manufacturing  
1 Waterman Avenue, Toronto

## PRODUCT NAMES

*Records*  
Arc, Yorkville, International Artists, Saga, Gold Award  
*Tapes*  
Varitape, Gold Award  
*Music Accessories*  
Mr. Music, Regent  
*Guitars*  
Hagstrom, Framus, Dana, Emperador,  
Regent, Rideau, Barclay  
*Drums*  
Hayman, Coronet, Crown  
*Other Musical Instruments*  
Arc, Parise  
*Amplifiers*  
GBX, Arc, Dana, Darius







Record inspection



Tony Kingston



